



THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* NEW YORK

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United States V. Todd Newman, Et Al. Prepared Remarks Of U.S. Attorney Preet Bharara

January 18, 2012

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

We are here this afternoon to announce yet another round of insider trading charges, in our continuing efforts to ensure fair play on Wall Street and in our markets.

Today, we unseal charges against seven hedge fund and investment professionals, three of whom have already pled guilty and are cooperating with our investigation. This is, by now, a sadly familiar story, but no less disturbing to those who believe that everyone ought to play by the same set of rules.

The criminal complaint and three felony Informations unsealed today paint a stunning portrait of organized corruption on a grand scale:

- The complaint implicates privileged professionals at no fewer than five different hedge funds and investment firms.
- It describes a circle of friends who essentially formed a criminal club, whose purpose was profit and whose members regularly bartered lucrative inside information.
- It was a club where everyone scratched everyone else's back.
- Now, how lucrative were those inside secrets and what was the scale of the alleged crimes?
- As described in the Complaint, the total illegal profits from this insider trading scheme approached nearly \$62 million.
- To put this in perspective, that is about the same magnitude of fraud we proved in the Galleon insider trading case last spring.
- Significantly, all of the specifically alleged profit in this case resulted from trades in the stock of a single publicly-traded company – Dell computer.

The seven men charged are as follows:

- Todd Newman, a former portfolio manager at a hedge fund in Connecticut.
- Jesse Tortora, a former research analyst who worked at the same hedge fund as Mr. Newman. Mr. Tortora has pled guilty.
- Jon Horvath, a research analyst at another hedge fund in Connecticut.
- Anthony Chiasson, a founding partner of a third hedge fund that operated in Manhattan.
- Spyridon, or “Sam,” Adondakis, a former research analyst who worked at the same hedge fund as Mr. Chiasson. Mr. Adondakis has pled guilty.
- Danny Kuo, a research analyst at an investment firm who worked in San Francisco; and
- Sandeep, or “Sandy,” Goyal, a research analyst who worked at the Manhattan office of a global asset management firm; Mr. Goyal has also pled guilty.

The three men who have pled guilty to insider trading offenses – Tortora, Adondakis, and Goyal – have also agreed to cooperate with the ongoing investigation.

Now I'll have more to say about the charges in a moment, but let me take a moment to introduce the other speakers here today.

I am joined today by Janice Fedarcy, the Assistant Director in Charge of the New York Division of the FBI, whose agents deserve so much credit for their sustained, focused, and successful crackdown on insider trading over the last several years. Let me specifically thank Diego Rodriguez, SAC for the Criminal Division; Rachel Rojas, Assistant Special Agent in Charge for the White Collar Branch; and special agents James Hinkle, Matt Thoresen, and Dave Makol.

Also here is Rob Khuzami, the Director of Enforcement for the Securities and Exchange Commission; George Canellos, head of the SEC's New York Regional Office; and Sanjay Wadwha and Joseph Sansone from the Market Abuse Unit. I want to thank them and their dedicated teams for all of their hard work and assistance.

I especially want to thank the career prosecutors from my Office. They are Christopher Garcia and Marc Berger, the Chief and Deputy Chief of our Securities and Commodities Fraud Task Force. And the AUSAs who assisted these investigations and will be handling today's prosecutions: AUSAs Antonia Apps, Richard Tarlowe, David Leibowitz, and Reed Brodsky.

Let me now take a couple of minutes to explain some of the specific allegations unsealed today. The charges, at their core, describe a circle of corruption and cycle of greed – research analysts at different hedge funds sharing inside information with each other and their funds' portfolio managers so that their respective funds could profit from their criminal exploitation of secret business information.

In particular, and among other things, the Complaint alleges the following:

- In 2008 and 2009, an employee at Dell provided inside information about Dell's expected financial performance to Sandy Goyal. That information, in turn, was allegedly shared with

various investment professionals who turned those tips into pretty profits when the news finally became known to the general public.

- When the news was good, they went long; when the news was bad, they went short.
- For example, before Dell's May 29, 2008 earnings announcement, the so-called circle of friends learned through the insider and Goyal that Dell's performance would be better than expected. And so, as alleged, two hedge funds made trades that netted close to \$5 million in illicit profits.
- At the close of the next quarter, however, the news for Dell was grim – the insider allegedly reported that Dell would NOT meet the market's expectations with respect to its gross profit margins.
- And that is when one hedge fund, the one co-founded by defendant Chiasson, made an enormous bet and netted a staggering \$53 million dollar windfall by massively shorting Dell's stock.
- You might call it the Big Short. Or more precisely: the Big Illegal Short.
- Of course, as the Complaint describes, that bet wasn't much of a gamble because the game was rigged.

Finally, I should mention that it was not only Dell information that these traders allegedly trafficked in.

The complaint also outlines how Danny Kuo provided inside information about NVIDIA, a publicly traded technology company, to Tortora, Adondakis, and Horvath. Time after time, Kuo obtained confidential financial information about NVIDIA— including NVIDIA's gross margin and revenue information— and passed it to his co-conspirators.

In sum, the charges unsealed today describe a tight-knit circle of greed on the part of professionals willing to traffic in confidential business information – all to obtain an illegal inside edge over ordinary, law abiding investors.

In corruptly and systematically violating the trust placed in them by the investment community, these professionals degraded our markets and the first principle of ordered capitalism – that markets be free and fair.

With these charges, to date we have criminally charged 63 individuals with insider trading offenses, and this Office have secured convictions of 56, and our investigations continue.

Today's charges illustrate something that should disturb all of us: they show that insider trading activity in recent times has, indeed, been rampant and routine, and that this criminal behavior was known, encouraged, and exploited by authority figures in several investment funds. And we will not tolerate it.

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